

**UNEMPLOYMENT
INSURANCE AGENCY**

JENNIFER M. GRANHOLM, Governor
State of Michigan

ROBERT W. SWANSON, Director
Department of Labor &
Economic Growth

SHARON M. BOMMARITO
Acting Deputy Director
Department of Labor &
Economic Growth

LIZA ESTLUND OLSON, Acting Director
Unemployment Insurance Agency

How Unemployment Benefits Are Charged To Employers

When a worker becomes separated from his or her job and files for unemployment benefits, the worker's past employer or employers will probably be charged for any benefits that may be paid. This fact sheet will explain some of the basic standards the Unemployment Insurance Agency (UIA) follows in charging unemployment benefits to employer tax accounts.

Some basic terms

Base Period: In most cases, the base period is the first four of the last five completed quarters prior to the unemployment claim's filing date. UC uses the wages earned during the base period to decide if a worker will qualify monetarily for unemployment benefits. If the worker does qualify, the wages determine the weekly amount and duration of benefits.

Rework: A worker can requalify for benefits by going back to work and earning wages. The amount of wages a worker must be paid to requalify by "rework" is the lesser of: **(a)** seven times the worker's weekly benefit amount, or **(b)** 40 times the state minimum hourly wage, times seven ($40 \times \$5.15 \times 7 = \$1,442$).

CHARGING PRINCIPLES

There are two basic principles about charging employers for unemployment benefit payments:

Employer charging principle #1

UIA charges the employer's account for benefits paid *unless* the employer shows that the worker was disqualified or would have been disqualified had a benefit decision been made.

Employer charging principle #2

If the separation from the most recent employer was disqualifying, then *no* employer is charged for benefits unless or until "rework" is satisfied. If the unemployed worker was paid at least the "rework" amount by the last employer and the job separation was not disqualifying, then 100% of the first two weeks of benefits are charged to that employer. The base period employers are charged proportionately for the remaining weeks.

Calculating an employer's proportionate share of the benefit charges begins by determining the wages each base period employer paid the worker. Then the wages paid by each employer are compared to the total wages paid by *all* employers during the base period, and a percentage is calculated for each employer. The percentage is the employer's share of each week's benefit charges.

EXAMPLE:

In this example, assume the worker has a weekly benefit amount of **\$82** and is entitled to **17 weeks** of benefits. The first two weeks are charged to the most recent employer (employer D), since the wages paid by that employer were greater than the rework amount. The quarterly wages paid by each employer are shown:

Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 5	Qtr 6
A=\$350 B=\$150	A=\$500 B=\$900 C=\$600	A=\$250 B=\$250	D=\$500	LAG QUARTER	FILING QUARTER D=\$1,500

|----- BASE PERIOD -----|

Each employer's proportionate share of the total base period wages:

Divide each employer's base period wage payments by the **total base period wages of \$3,500**. This gives the percentage of base period wages each employer paid to the worker.

Employer A = \$1,100 in wages paid \div \$3,500 = .314285 = **31.43%**

Employer B = \$1,300 in wages paid \div \$3,500 = .371428 = **37.14%**

Employer C = \$ 600 in wages paid \div \$3,500 = .171428 = **17.14%**

Employer D = \$ 500 in wages paid \div \$3,500 = .142857 = **14.29%**

Each employer's share of the weekly benefit charges:

The percentages are multiplied against the worker's weekly benefit amount to determine each employer's share of the charge for the worker's weekly benefit payment. In this example the worker's **weekly benefit amount is \$82**.

Employer A's benefit charge = 31.43% x \$82 = **\$25.77**

Employer B's benefit charge = 37.14% x \$82 = **\$30.45**

Employer C's benefit charge = 17.14% x \$82 = **\$14.05**

Employer D's benefit charge = 14.29% x \$82 = **\$11.72**

If after rounding the benefit charges do not total the worker's weekly benefit amount, the difference will be added to the charge of the employer with the largest charge.

Each employer's maximum possible charge

To determine the maximum possible benefit charging liability for each base period employer, simply multiply the weekly charge against the maximum entitlement less two weeks, because in most cases, the first two weeks of benefits are charged to the most recent employer. In this example, the maximum entitlement is 17 weeks, but the last employer (employer D) is charged 100% for the first two weeks of benefits. The base period employers are charged proportionately for the remaining 15 weeks.

Employer A: \$25.77 x 15 weeks = **\$386.55**

Employer B: \$30.45 x 15 weeks = **\$456.75**

Employer C: \$14.05 x 15 weeks = **\$210.75**

Employer D: \$11.72 x 15 weeks = **\$175.80***

Total charges to the last employer's account:

Employer D was a base period employer and the most recent employer and paid the worker a sum greater than the rework amount. Consequently, employer D will be charged 100% of the first two weeks of benefits, in addition to his/her proportionate share of the total potential benefit liability.

*The **potential maximum charge** to employer D's account is **\$339.80**. [**\$175.80** (proportionate base period charge) + **\$164.00** (100% of first two weeks of benefits is \$82/week x 2 weeks) = **\$339.80**.]

Important Point! As an employer, you are only charged for weeks of benefits jobless workers actually collect. In most cases, workers return to work before collecting the maximum number of weeks allowed on their claims.

FOR MORE INFORMATION

For more information about benefit charges to an employer's account, contact UIA's Employer Customer Relations staff toll-free at **1-800-638-3994**, or phone your Employer Service Tax Team.

Employer Service Team**Last Three Digits of Employer
Account Number****Telephone Number**

Team A

000-249

313.456.2010

Team B

250-499

313.456.2020

Team C

500-749

313.456.2030

Team D

750-999

313.456.2040



DLEG is an Equal Opportunity Employer and complies with the Americans with Disabilities Act. For more EO information, call DLEG's EO office at 313/456-2461. TTY services are available at 1-866-366-0004. Visit our website at www.michigan.gov/uia

Michigan Dept. of Labor & Economic Growth
Unemployment Insurance Agency
Authority: BW&UC Director; Quantity: 1,000
Cost: \$14 (1¢/copy). Paid for with federal funds.